

702



**BOARD OF COUNTY COMMISSIONERS**  
Mayor Dede M. Spehar, District 1  
Mayor Pro Tem Murray E. Nelson, District 5  
George Neugent, District 2  
Charles "Sonny" McCoy, District 3  
David P. Rice, District 4

Monroe County Board of County Commissioners  
Office of the County Administrator  
The Historic Gato Cigar Factory  
1100 Simonton Street, Suite 205  
Key West, Florida 33040  
(305) 292-4441 - Phone  
(305) 292-4544 - Fax



May 19, 2003

Mr. Hal Canary  
Public Financial Management  
10100 Deer Run Farms Road, Suite 201  
Ft. Myers, Florida 33912-1045

Re: Request from Guidance Clinic of the Middle Keys, Inc. for IDA Financing

Dear Mr. Canary:

As per the attachments the Guidance Clinic of the Middle Keys, Inc. is requesting assistance from the Monroe County Industrial Development Authority for financing and refinancing purposes. The Guidance Clinic is a 501C(3) and a major part of the Human Service network in Monroe County.

I am asking you to review the attached documents and render an opinion as to whether this is a sound approach for the IDA to undertake. If you need additional information please be in contact directly with Marianne K. Benvenuti, the Chief Financial Officer.

You should also be advised that Steve Miller of Nabors, Giblin and Nickerson, P.A., the County's Bond Counsel, is already reviewing the situation. I would appreciate your opinion and analysis prior to May 30 so that it can be included as part of an IDA Agenda Item for the June BOCC Meeting.

If you have any questions please let me know.

Very truly yours,

James L. Roberts  
County Administrator

JLR:pe

Cc: John R. Collins, County Attorney  
Sheila Barker, Division Director Management Services  
Steve Miller, Nabors, Giblin and Nickerson, P.A.

U1

**GUIDANCE CLINIC OF THE MIDDLE KEYS, INC.**

3000 41<sup>ST</sup> STREET, OCEAN

MARATHON, FL 33050

(v) 305/289-6150 / (f) 305/289-6158

www.gcmk.org

May 15, 2003

Mr. Jim Roberts  
Monroe County Administrator  
1100 Simonton Street  
Key West, FL 33040

MAY 15 2003

Dear Mr. Roberts:

The Guidance Clinic of the Middle Keys, Inc. (GCMK) is seeking assistance from the Monroe County Industrial Development Authority in refinancing loans for our buildings in Marathon.

GCMK is a 501(c)(3), non-profit, community mental health center that has been serving the needs of clients in the Keys for thirty years. While the primary service area is the Middle Keys (Big Pine through Layton), GCMK's crisis stabilization, mental health and substance abuse residential, and day treatment programs serve residents from Key Largo to Key West.

In 1993, GCMK entered into a pooled loan agreement to finance the construction of its main clinic building. Services provided at the Marathon site include residential services for mental health crisis stabilization (the only publicly funded Baker Act facility in Monroe County), substance abuse detoxification (the only program in Monroe County), a six month residential substance abuse program (the only long-term treatment program for felonious males in Monroe County), and adult and children's outpatient medical and therapy services for mental health and substance abuse. The building also includes office space for administrative and general support staff. The current loan for the main building carries and interest rate of 8% and matures on July 1, 2017.

In 2002, GCMK was awarded a grant of \$115,000 from the Florida Department of Children and Families to replace the triple-wide trailer that serves as GCMK's Personal Growth Center (PGC) with a permanent building. The PGC is the only facility in the county which offers Day Treatment for adults with severe and persistent mental illness. The PGC also serves as a seven-day-per week Drop-in Center for mentally ill adults and provides office space for the GCMK case manager. The remainder of the construction costs (about \$375,000) required GCMK to secure a mortgage loan on the property. The interest rate on the loan for the new building is 6% over a fifteen year term—ending June 30, 2019.

Under the pooled loan agreement for the main building, GCMK has the option to pre-pay the loan within a window of thirty days before and after July 1, 2003. There are costs associated with the pre-payment; however, our calculations have determined that GCMK would save money if financing could be obtained at a rate less than or equal to 6.375%.

We have been in touch with SunTrust about the possibility of a bond issue. We have also been working with Orion Bank on the possibility of a fifteen year loan. Under both options, the effective interest rate would be less than 5.25% if the re-financing is done through Industrial Development Authority. Our preliminary calculations are that, GCMK would save a minimum of \$200,000 over fifteen years.

It is our understanding that neither the Industrial Development Authority nor the Monroe County Commission will incur any financial responsibilities should the re-financing be approved. Costs associated with either the bond or the loan will be paid for by GCMK. In addition to requesting assistance to help with the refinancing, GCMK is requesting a waiver of the county fees, namely the \$5,000 application fee and one-half of one percent of the face value of the industrial revenue bonds. We request this as a 501(c)(3), non-profit corporation that performs essential community services.

The maximum that GCMK seeks to borrow under the re-financing is \$2.25 million. The 2002 Notice of Proposed Property Taxes puts the market value of the property (Alternate Key: 8750366) at \$3,103,894. This is without a permanent structure for the PGC. The appraised value of the PGC Building is over \$800,000. We will be seeking a fifteen year term on the new financing.

GCMK is financially sound. Programs are funded through the Florida Department of Children and Families, Monroe County BOCC, the U.S. Department of Health and Human Services, other state and local agencies and client fees. We have build up a healthy reserve to fund us through short term crises, if necessary. Unfortunately, the current fiscal environment is that of shrinking resources. The savings to be realized by the refinancing will allow GCMK to funnel more money toward providing services rather than funding debt.

To provide you with more information about GCMK and its financial position, we have enclosed copies of our financial audit reports for the last five years. Our 2002 Annual Report will give you more information on our programs. Finally, we have enclosed is a schedule that we hope will demonstrate to you that refinancing with the help of the Monroe County Industrial Development Authority is fiscally responsible.

We hope that you will look favorably on our requests. Should you or your staff need additional information, please feel free to contact me by telephone (305-289-6158, Ext. 264) or e-mail ([marianne.benvenuti@gcmk.org](mailto:marianne.benvenuti@gcmk.org)).

Sincerely yours,



Marianne K. Benvenuti  
Chief Financial Officer

Encl: (7)

## GUIDANCE CLINIC OF THE MIDDLE KEYS, INC.

15-May-03

## Cash flows by year for Options for Refinancing

Year	Keep Current Loans			Bond Issue	Taxfree Loan
	Main Building	PGC Building	Total		
2004					
Payment	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
Out-of-Pocket Fees	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>87,574.00</u>	<u>49,061.00</u>
Total	224,437.51	37,973.56	262,411.07	298,421.13	259,932.86
2005	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2006	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2007	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2008	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2009	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2010	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2011	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2012	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2013	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2014	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2015	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2016	224,437.51	37,973.56	262,411.07	210,847.13	210,871.86
2017	0.00	37,973.56	37,973.56	210,847.13	210,871.86
2018	<u>0.00</u>	<u>37,973.56</u>	<u>37,973.56</u>	<u>210,847.13</u>	<u>210,871.86</u>
	2,917,687.60	569,603.36	3,487,290.96	3,250,280.93	3,212,138.90
Net Savings.....				<u>237,010.03</u>	<u>275,152.06</u>



**Public Financial Management**  
Financial and Insurance Advisors

1343 Main Street  
Suite 204  
Sarasota, FL  
34236

941-365-9595  
941-365-9696 fax  
www.pfm.com

May 30, 2003

## Memorandum

**To:** Monroe County Industrial Development Authority, Florida  
**From:** Bob Davis  
Hal Canary  
Public Financial Management, Inc.  
**Re:** Guidance Clinic Of The Middle Keys, Inc.

---

### Introduction

The Guidance Clinic Of The Middle Keys, Inc. ("GCMK") is seeking approval for the private placement of a \$2,250,000 tax-exempt Revenue Bond with Orion Bank. Proceeds from the financing will be used together with money from a \$115,000 grant from the Florida Department of Children and Families ("DCF") to finance the replacement of a triple-wide trailer that serves as GCMK's Personal Growth Center ("PGC") with a permanent building and refinance GCMK's current outstanding indebtedness.

Prior to sponsoring the issuance of industrial development bonds, Section 159.29 (2), Florida Statutes, requires the Industrial Development Authority ("IDA") to determine that the corporation is financially responsible, capable and willing to fulfill its obligation. The Statute states the following:

No financing agreement for a project shall be entered into with a party that is not financially responsible and fully capable and willing to fulfill its obligations under the financing agreement including:

- obligation to make payments in the amounts and at the times required
- to operate, repair and maintain at its own expense the project
- to serve the purposes of this part and such other responsibilities as may be imposed under the financing agreement

Public Financial Management ("PFM") has developed this report to provide the financial information necessary for the Monroe County Industrial Development Authority to make an informed decision on the approval of issuing Monroe County Industrial Development Revenue Bonds to finance the expansion of the Guidance Clinic Of The Middle Keys, Inc. and refinancing of GCMK's currently outstanding indebtedness.



## **Background**

The Guidance Clinic of the Middle Keys, Inc. was formed and incorporated under the laws of the State of Florida as a not-for-profit corporation on May 23, 1973, dedicated to the provision of high-quality and cost-effective behavioral healthcare services throughout Monroe County. Located in Marathon in the heart of the Florida Keys – midway between Key Largo and Key West, GCMK offers a comprehensive continuum of mental health and substance abuse services. Currently, a staff of over 110 employees includes licensed professionals, certified addiction professionals, counselors, clinical support staff, administrators, and computer, fiscal, clerical, transportation, and maintenance staff. The array of services GCMK offers is as follows: outreach, crisis support, assessment, transportation, prevention, intervention, outpatient, day treatment/drop-in, inpatient crisis stabilization and detoxification, residential substance abuse treatment, and aftercare.

Funding is provided primarily by the State of Florida Department of Children and Families and by the U.S. Department of Health and Human Services whose funds are passed through DCF. Funding is also provided by the U.S. Department of Justice, U.S. Department of Housing and Urban Development, Florida Department of Corrections, Florida Department of Transportation, Florida Commission for the Transportation Disadvantaged, Monroe County Board of Commissioners, Monroe County School Board, Monroe County Sheriff's Department, client fees and other sources.

## **Plan of Finance**

The proposed Plan of Finance is for GCMK to enter into a tax-exempt private placement with Orion Bank at a proposed interest rate of 5.125% for 15 years with a level overall debt service. The private placement will be secured by the revenues of GCMK and a mortgage on real property. The proceeds of the private placement will (i) refinance the currently outstanding Main Building loan provided by the Florida Community Provider Pooled Loan Program and the PGC Building note payable and (ii) provide new money funds to construct a permanent Personal Growth Center building. Debt service for the proposed will be paid from the revenues of GCMK.

## **Credit analysis**

The following credit analysis was based on a review by PFM of GCMK's "Annual Report July 2001 to June 2002" and the review of GCMK's audited financial statements from 1998 through 2002. PFM assumes that this information is true and correct and has not undertaken an independent verification nor does PFM assume responsibility for the accuracy, completeness or fairness of the information provided for our review.



GCMK has shown credit strength through its operations, market dominance, and a moderate debt burden. GCMK management has maintained a conservative budgeting process whereby the philosophy has been to budget conservatively and always allow for deviations by studying a series of scenario analyses. Besides FY 2000, this conservative budgeting approach has led to operating surpluses over the years. The operating margin for GCMK in 2001 was 0.31% and was 2.21% in 2002. Total net assets have continued to increase for GCMK with total net assets growing to \$1.85million in FY 2002 from \$1.67million in FY 2000. The combination of the moderate outstanding debt and stable operations help GCMK support a debt service coverage level on existing debt, for FY 2002, of 2.03 times.

Financial Statements

	FY 2000	FY 2001	FY 2002
Total Operating Revenue	\$ 5,135,291	\$ 4,514,904	\$ 3,859,054
Total Operating Expenses	5,021,918	4,501,060	4,111,379
Operating margin (%)	-6.54%	0.31%	2.21%
Total Net Assets	1,673,922	1,749,098	1,850,045
Unrestricted Cash and Investments	423,751	602,127	688,808
Total Debt	2,052,512	1,988,896	1,842,804
Revenue Available for Debt Service	180,275	450,001	532,488

The following Credit Profile was prepared by PFM to assess the ability of GCMK to incur and service the proposed debt. A series of 9 financial ratios, that are commonly used to provide a credit profile of a not-for-profit institution were calculated based on the audited financial statements of GCMK. Except for 2000, GCMK has demonstrated consistent profitability, liquidity and a moderate capitalization credit profile. Profitability and debt service coverage ratios improve with the proposed financing because the debt service on the proposed financing, including the new money, is less than the existing debt service. The improvement in debt service is driven by the lower interest rates that will be charged on the proposed debt (5.125%) versus the current rate of 7.70% on the Pooled Loan debt and 6.50% on Notes Payable.



**Guidance Clinic of the Middle Keys, Inc.  
Credit Profile**

	1998	1999	2000	2001	2002	Ppsd* 2002
<b>Profitability</b>						
Operating Margin (%)	0.56%	2.87%	-6.54%	0.31%	2.21%	3.18%
Excess Margin (%)	1.89%	3.93%	-5.44%	1.64%	3.41%	4.37%
Operating Cash Flow Margin (%)	10.37%	12.45%	3.63%	8.61%	9.12%	10.10%
<b>Liquidity</b>						
Days Cash on Hand	59.1	62.7	39.5	51.0	52.1	52.9
Cushion Ratio (x)	2.1	2.3	1.6	2.3	2.6	3.3
Cash-to-Debt (%)	23.7%	27.6%	20.6%	30.3%	37.4%	30.6%
<b>Capitalization</b>						
Debt-to-Capitalization (%)	57.32%	54.15%	55.08%	53.21%	49.90%	54.88%
Annual Debt Service Coverage (x)	1.61	2.00	0.69	1.71	2.03	2.41
Debt-to-Cash Flow (x)	9.77	6.57	-147.49	7.52	4.95	5.01

\*Financial ratios calculated on a prospective basis, including the proposed private placement.

**Recommendation**

It is PFM's recommendation to the Monroe County Industrial Development Authority is to approve the Guidance Clinic of the Middle Keys, Inc. proposed private placement financing with Orion Bank.